FACT SHEET

Rural Health Clinic

***THE RURAL HEALTH CLINIC (RHC) PROGRAM** was established in 1977 to address an inadequate supply of physicians who serve Medicare and Medicaid beneficiaries in rural areas. The program addresses this problem by providing qualifying clinics located in rural, medically underserved communities. For RHC purposes, any area that is not defined as urbanized is considered non-urbanized. The U.S. Census Bureau defines an urbanized city as a central city of 50,000 or more and its adjacent suburbs. Medicare and Medicaid payments are made on a cost-related basis for outpatient physician and certain nonphysician services. RHCs are located in areas designated by the Bureau of the Census as rural **AND** by the Secretary of the Department of Health and Human Services **OR** the State as medically underserved. A RHC cannot be concurrently approved for Medicare as both a Federally Qualified Health Center and a RHC.*

Rural Health Clinic Services

RHCs provide the following:

- Services of physicians;
- Services and supplies incident to the services of physicians, services of registered dietitians or nutritional professionals for diabetes training services and medical nutrition therapy; (the costs of such services are covered but not as a billable RHC visit), and otherwise covered drugs that are furnished by, and incident to, services of physicians and nonphysician practitioners of the RHC;
- Services of nurse practitioners, physician assistants, certified nurse midwives, clinical psychologists, and clinical social workers;
- Services and supplies incident to the services of nurse practitioners, physician assistants, certified nurse midwives, clinical psychologists, and clinical social workers; and

- Visiting nurse services to the homebound in an area where the Centers for Medicare & Medicaid Services (CMS) has certified that there exists a shortage of home health agencies.

Rural Health Clinic Designation

To qualify as a Rural Health Clinic, a clinic must be located in:

- A non-urbanized area and in an area with one of the following current designations:
  - A medically underserved area
  - A geographic Health Professional Shortage Area (HPSA) or
  - A population group HPSA

A current designation was designated or redesignated in the current year or one of the previous three years. A RHC must also:

- Employ a midlevel practitioner who is available to provide services at least 50 percent of the time the clinic is open;
- Provide routine diagnostic and laboratory services;
- Establish arrangements with providers and suppliers to furnish medically necessary services not available at the clinic; and
- Provide first response emergency care.

Rural Health Clinic Payments

Payment for RHC services furnished to Medicare patients is made on the basis of an all-inclusive rate per covered visit. A visit is defined as a face-to-face encounter between the patient and a physician, physician assistant, nurse practitioner, certified nurse midwife, clinical psychologist, clinical social worker or, in very limited cases, visiting nurse during which a RHC service is rendered.

The cost of the influenza and pneumococcal vaccines and their administration are separately reimbursed at cost settlement. There is a separate worksheet on the Independent Rural Health Clinic and Freestanding Federally Qualified Health Center Cost Report to report the cost of these vaccines and their administration. These costs should never be reported on the claim when billing for RHC services. There is no coinsurance or deductible for these services; therefore, when one of these vaccines is administered, the charges for the influenza and pneumococcal vaccines and their administration are never included with the visit charges when calculating coinsurance or deductible for the visit. When a physician, physician assistant, nurse practitioner, or certified nurse midwife sees a beneficiary for the sole purpose of administering an influenza and pneumococcal vaccination, he or she may not bill for an office visit. However, the cost can still be included on the cost report.

The cost of the Hepatitis B vaccine and its administration are covered under the all-inclusive rate. If other services, which constitute a qualifying RHC visit, are provided at the same time as the Hepatitis B vaccination, the charges for the vaccine and its administration can be included in the charges for the visit both when billing and calculating coinsurance and/or deductible. When a physician, physician assistant, nurse practitioner, or certified nurse midwife sees a beneficiary for the sole purpose of administering a Hepatitis B vaccination, he or she may not bill for an office visit. However, the cost can still be included on the cost report. The charges for the Hepatitis B vaccine can be included on a claim for the beneficiary's subsequent visit and when calculating coinsurance and/or deductible.

Encounters at a single location on the same day with more than one health professional and multiple encounters with the same health professional constitute a single visit, except when one of the following conditions exist:

- The patient suffers an illness or injury requiring additional diagnosis or treatment subsequent to the first encounter; or
- The patient has a medical visit AND a clinical psychologist or clinical social worker visit.

Payment is made directly to RHCs for covered services furnished to a patient at the Clinic, the patient's place of residence, or elsewhere

(e.g., the scene of an accident). Laboratory tests are paid separately.

The Medicare Part B deductible applies to RHC services and is based on billed charges. Noncovered expenses do not count toward the deductible. After the deductible has been satisfied, RHCs will be paid 80 percent of the all-inclusive interim encounter payment rate, with the exception of all therapeutic services provided by clinical social workers and clinical psychologists which are subject to the outpatient psychiatric services limitation. This limit does not apply to diagnostic services.

Freestanding RHCs must complete CMS-222-92, Independent Rural Health Clinic and Freestanding Federally Qualified Health Center Cost Report, in order to identify all incurred costs applicable to furnishing covered Clinic services including RHC direct costs, any shared costs applicable to the RHC, and the RHC's appropriate share of the parent provider's overhead costs. Costs are limited to the national cap for the encounter rate. Form CMS-222-92 can be found at **www.cms.hhs.gov/CMSForms/CMSForms/list.asp#TopOfPage** on the CMS website. Provider-based RHCs must complete Worksheet M of Form CMS-2552-96, Hospital Cost Report, in order to identify all incurred costs applicable to furnishing covered Clinic services. Provider-based RHCs that are provider based to a hospital with less than 50 beds are not subject to the national cap and receive full cost per visit for the encounter rate. If the RHC is in the initial reporting period, the all-inclusive rate is determined on the basis of a budget the RHC submits. The budget estimates the allowable cost that will be incurred by the RHC during the reporting period and the number of visits for RHC services expected during the reporting period. Form CMS-2552-96 can be found in the ***Provider Reimbursement Manual***—Part 2 (Pub. 15-2), Chapter 36, which can be found at **www.cms.hhs.gov/Manuals/PBM/list.asp#TopOfPage** on the CMS website.

To determine the payment rate for new RHCs and for those who have submitted cost reports, the Fiscal Intermediary (FI) applies screening guidelines and the maximum payment per visit limitation as described below. For subsequent reporting periods, the all-inclusive rate is determined, at the discretion of the FI, on the basis of a budget or the prior year's actual costs and visits with adjustments to reflect anticipated changes in expenses or utilization.

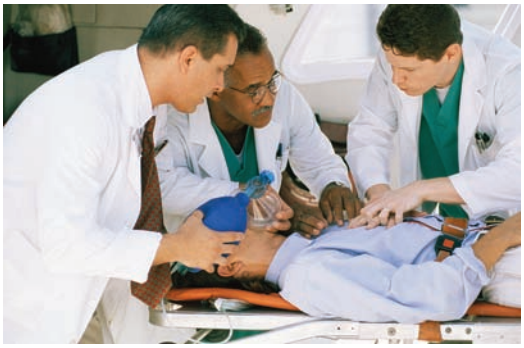
In general, the payment rate is calculated by dividing the total allowable cost by the number of total visits for RHC services. At the end of the reporting period, RHCs submit a report to the FI that includes actual allowable costs and actual visits for RHC services for the reporting period and any other information that may be required. After reviewing the report, the FI divides actual allowable costs by the number of actual visits to determine a final rate for the period. Both the final rate and the interim rate are subject to screening guidelines for evaluating the reasonableness of the clinic's productivity, payment limit, and psychiatric services limit.

Annual Reconciliation

At the end of the reporting period, the FI determines the total payment due and the amount necessary to reconcile payments made during the period with the total payment due.

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

Section 410 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 states that professional services furnished on or after January 1, 2005, by physicians, physician assistants, nurse practitioners, and clinical psychologists who are affiliated with RHCs are excluded from the Skilled Nursing Facility Prospective Payment System, in the same manner as such services would be excluded if provided by individuals not affiliated with RHCs.



HELPFUL RURAL HEALTH WEBSITES

CENTERS FOR MEDICARE & MEDICAID SERVICES' WEBSITES

CMS Contact Information Directory
www.cms.hhs.gov/apps/contacts/

CMS Forms
www.cms.hhs.gov/CMSForms/CMSForms/list.asp#TopOfPage

CMS Mailing Lists
www.cms.hhs.gov/apps/mailinglists/

Critical Access Hospital Provider Center
www.cms.hhs.gov/center/cah.asp

Federally Qualified Health Centers Provider Center
www.cms.hhs.gov/center/fqhc.asp

Hospital Provider Center
www.cms.hhs.gov/center/hospital.asp

HPSA/PSA (Physician Bonuses)
www.cms.hhs.gov/HPSAPSAPhysicianBonuses/

Internet-Only Manuals
www.cms.hhs.gov/Manuals/IOM/list.asp#TopOfPage

MLN Matters Articles
www.cms.hhs.gov/MLNMattersArticles/

Medicare Learning Network
www.cms.hhs.gov/MLNGenInfo/

Medicare Modernization Update
www.cms.hhs.gov/MMAUpdate/

Physician's Resource Partner Center
www.cms.hhs.gov/center/physician.asp

Regulations & Guidance
www.cms.hhs.gov/home/regsguidance.asp

Rural Health Clinic Provider Center
www.cms.hhs.gov/center/rural.asp

OTHER ORGANIZATIONS' WEBSITES

Administration on Aging
www.aoa.gov

American Hospital Association Section for Small or Rural Hospitals
www.aha.org/aha/key_issues/rural/index.html

Health Resources and Services Administration
www.hrsa.gov

National Association of Community Health Centers
www.nachc.org

National Association of Rural Health Clinics
www.narhc.org

National Rural Health Association
www.nrharural.org

Rural Assistance Center
www.raconline.org

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